

WATERVLIET TOWNSHIP
(Berrin)
FINANCIAL REPORT

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March 31, 2004
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AUDITING PROCEDURES REPORT

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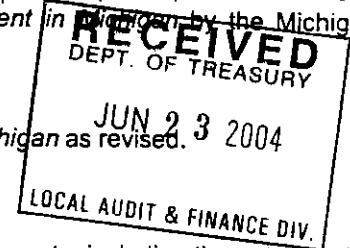
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name WATERVLIET TOWNSHIP	County BERRIEN
Audit Date MARCH 31, 2004	Opinion Date MAY 14, 2004	Date Accountant Report Submitted to State: <i>June 22, 2004</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government* in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C. CPA'S			
Street Address 830 PLEASANT STREET P.O. BOX 44		City ST. JOSEPH	State MI
Accountant Signature <i>Robert R. Gerbel CPA</i>		ZIP 49085	

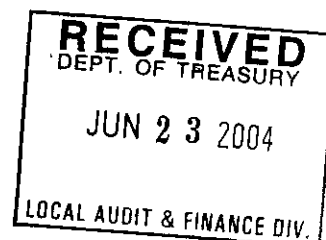
Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

May 14, 2004

Township Board
Township of Watervliet
Watervliet, Michigan



In connection with our audit of the books and records of Watervliet Township for the year ending March 31, 2004, we offer the following comments and recommendations regarding internal control and other accounting matters:

GENERAL

1. Interest earned in the Current Tax Fund is being accumulated in the Tax Fund rather than being transferred to the General Fund to avoid having to close and reopen the account each year. The interest earned in the Tax Fund is recorded as General Fund revenue each year. The accumulating interest owed to the General Fund is shown in the Current Tax Fund as being Due to the General Fund. We suggest that the Township transfer a bulk of the accumulated interest to the General Fund and leave only an amount sufficient to avoid having to close the account. The accumulated interest at March 31, 2004 is \$7,262.
2. During an examination of the Tax Fund cash on hand, it was discovered that the drawer was approximately \$60 short.
3. During an examination of sanitation charges received by the City of Watervliet, it was noted that the City is paying the old rate of \$11.78 per 10,000/gallon rather than the new rate of \$13.54 per 10,000/gallon.
4. GASB No. 34 - "The New Financial Reporting Model" is required to be implemented by the Township for its fiscal year beginning April 1, 2004. At that time, it will be necessary to come up with a balance sheet on a full accrual method of accounting. This would include receivables, payables, and all fixed assets owned by the Township. We would encourage the Township to start inventorying their fixed assets at cost at the time acquired or fair market value on the date donated. We will be available to assist you in this process.
5. The Township's administration and accounting personnel displayed a high level of dedication and cooperation in performing their functions and assisting us in completing ours.

We appreciate the cooperation and courtesy extended to us by the officials and employees of Watervliet Township and trust that these comments and recommendations will be accepted in the spirit of cooperation in which they are offered.

Very truly yours,

Gerbel & Company, P.C.
GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com

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WATERVLIET TOWNSHIP

FINANCIAL REPORT

March 31, 2004

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Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

May 14, 2004

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Watervliet Township
Watervliet, Michigan

We have audited the accompanying general-purpose financial statements of Watervliet Township as of March 31, 2004 and for the year then ended. These general-purpose financial statements are the responsibility of Watervliet Township's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Watervliet Township as of March 31, 2004 and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gerbel & Company, P.C.

Right. On time.

WATERVLIET TOWNSHIP
Combined Balance Sheet
All Fund Types and Account Groups
March 31, 2004

	<u>Governmental Fund Types</u>			<u>Proprietary</u>
	<u>General</u>	<u>Special</u>	<u>Improvement</u>	<u>Fund</u>
ASSETS		<u>Revenue</u>		<u>Types</u>
				<u>Enterprise</u>
Cash in bank	\$ 924,308	\$ 916,107	\$ -	\$ 628,736
Petty cash	200	-	-	100
Cash on hand	-	-	-	-
Taxes receivable	3,227	36,789	-	-
Accounts receivable	10,057	-	-	24,751
Delinquent sanitation charges	-	-	-	8,408
Prepaid expenses	890	-	-	631
Due from other funds	48,160	-	-	-
Due from other governmental units	-	44,650	-	-
Land contract	-	-	72,254	-
Land and improvements	-	-	-	-
Building and improvements	-	-	-	1,080
Equipment	-	-	-	-
Office equipment	-	-	-	59,807
Plant, property, and equipment	-	-	-	7,223,781
Accumulated depreciation	-	-	-	(2,703,745)
Amount to be provided for retirement of general long-term debt	-	-	-	-
TOTAL ASSETS	<u>\$ 986,842</u>	<u>\$ 997,546</u>	<u>\$ 72,254</u>	<u>\$ 5,243,549</u>

The accompanying notes are an integral part of these financial statements.

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	General	March 31,	
	<u>Fixed Assets</u>	<u>Long-Term Debt</u>	<u>2004</u>	<u>2003</u>
<u>Agency</u>				
\$ 5,498	\$ -	\$ -	\$ 2,474,649	\$ 2,140,733
-	-	-	300	300
400	-	-	400	-
-	-	-	40,016	37,047
-	-	-	34,808	31,972
-	-	-	8,408	8,408
-	-	-	1,521	1,521
-	-	-	48,160	89,860
1,364	-	-	46,014	69,650
-	-	-	72,254	75,473
-	141,140	-	141,140	124,790
-	1,303,975	-	1,305,055	1,296,155
-	162,354	-	162,354	159,248
-	-	-	59,807	59,807
-	-	-	7,223,781	7,215,395
-	-	-	(2,703,745)	(2,576,666)
-	-	426,000	426,000	445,000
<u>\$ 7,262</u>	<u>\$ 1,607,469</u>	<u>\$ 426,000</u>	<u>\$ 9,340,922</u>	<u>\$ 9,178,693</u>

WATERVLIET TOWNSHIP
Combined Balance Sheet
All Fund Types and Account Groups
March 31, 2004

LIABILITIES AND FUND EQUITY	Governmental Fund Types			Proprietary
	General	Special Revenue	Improvement	Fund Types Enterprise
Liabilities:				
Accounts payable	\$ 10,861	\$ -	\$ -	\$ 18,134
Salaries and wages	286	2,748	-	-
Payroll taxes	4,656	-	-	277
Due to other funds	-	-	40,898	-
Due to other governmental units	-	-	-	-
Deferred revenue	-	-	72,254	-
Long-term debt payable	-	-	-	-
Total Liabilities	\$ 15,803	\$ 2,748	\$ 113,152	\$ 18,411
 Fund Equity:				
Investment in general fixed assets	\$ -	\$ -	\$ -	\$ -
Contributed capital	-	-	-	2,159,091
Retained earnings:				
Unreserved	-	-	-	3,066,047
Fund balances (deficits):				
Reserved	-	52,092	-	-
Unreserved:				
Designated for roads	-	621,227	-	-
Undesignated	971,039	321,479	(40,898)	-
Total Fund Equity (Deficit)	\$ 971,039	\$ 994,798	\$ (40,898)	5,225,138
 TOTAL LIABILITIES AND FUND EQUITY (DEFICIT)	\$ 986,842	\$ 997,546	\$ 72,254	5,243,549

The accompanying notes are an integral part of these financial statements.

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	General	March 31,	
	Fixed Assets	Long-Term Debt	2004	2003
Agency				
\$ -	\$ -	\$ -	\$ 28,995	\$ 6,474
-	-	-	3,034	286
-	-	-	4,933	1,603
7,262	-	-	48,160	89,860
-	-	-	-	75,526
-	-	-	72,254	75,473
-	-	426,000	426,000	445,000
<u>\$ 7,262</u>	<u>\$ -</u>	<u>\$ 426,000</u>	<u>\$ 583,376</u>	<u>\$ 694,222</u>
\$ -	\$ 1,607,469	\$ -	\$ 1,607,469	\$ 1,579,113
-	-	-	2,159,091	2,159,091
-	-	-	3,066,047	3,136,968
-	-	-	52,092	49,445
-	-	-	621,227	435,971
-	-	-	1,251,620	1,123,883
<u>\$ -</u>	<u>\$ 1,607,469</u>	<u>\$ -</u>	<u>\$ 8,757,546</u>	<u>\$ 8,484,471</u>
<u>\$ 7,262</u>	<u>\$ 1,607,469</u>	<u>\$ 426,000</u>	<u>\$ 9,340,922</u>	<u>\$ 9,178,693</u>

WATERVLIET TOWNSHIP
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - All Governmental Fund Types
Year Ended March 31, 2004

	Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Improvement</u>
Revenues:			
Taxes	\$ 52,124	\$ 488,702	\$ -
Licenses and permits	16,629	34,875	-
State grants	258,321	-	-
Charges for services	64,676	4,900	-
Interest and rents	50,676	3,205	5,786
Other revenue	<u>11,034</u>	<u>400</u>	<u>-</u>
Total Revenues	<u>\$ 453,460</u>	<u>\$ 532,082</u>	<u>\$ 5,786</u>
Expenditures:			
Legislative	\$ 30,680	\$ -	\$ -
General government	242,837	6,323	-
Public safety	6,377	249,447	-
Public works	4,772	67,103	-
Recreation and cultural	6,981	-	-
Other	27,992	-	-
Capital outlay	-	-	-
Debt service	<u>41,576</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 361,215</u>	<u>\$ 322,873</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 92,245</u>	<u>\$ 209,209</u>	<u>\$ 5,786</u>
Other Financing Sources (Uses):			
Proceeds from sale of building	\$ -	\$ -	\$ 8,400
Proceeds from loans	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,400</u>
Excess of Revenues and Other Sources Over Expenditures and Other Financing Uses	<u>\$ 92,245</u>	<u>\$ 209,209</u>	<u>\$ 14,186</u>
Fund Balances, Beginning of Year	<u>878,794</u>	<u>785,589</u>	<u>(55,084)</u>
FUND BALANCES, END OF YEAR	<u>\$ 971,039</u>	<u>\$ 994,798</u>	<u>\$ (40,898)</u>

The accompanying notes are an integral part of these financial statements.

Totals
(Memorandum Only)
March 31,
2004 **2003**

\$	540,826	\$	522,928
	51,504		58,969
	258,321		278,288
	69,576		57,676
	59,667		63,493
	<u>11,434</u>		<u>14,097</u>

\$	<u>991,328</u>	\$	<u>995,451</u>
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\$	30,680	\$	26,070
	249,160		199,760
	255,824		261,592
	71,875		297,034
	6,981		18,024
	27,992		34,115
	-		137,961
	<u>41,576</u>		<u>34,352</u>

\$	<u>684,088</u>	\$	<u>1,008,908</u>
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\$	<u>307,240</u>	\$	<u>(13,457)</u>
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\$	8,400	\$	7,211
	<u>-</u>		<u>110,000</u>

\$	<u>8,400</u>	\$	<u>117,211</u>
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\$	315,640	\$	103,754
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	<u>1,609,299</u>		<u>1,505,545</u>
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\$	<u>1,924,939</u>	\$	<u>1,609,299</u>
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WATERVLIET TOWNSHIP
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - All Governmental Fund Types
Year Ended March 31, 2004

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 46,700	\$ 52,124	\$ 5,424
Licenses and permits	15,370	16,629	1,259
State grants	218,147	258,321	40,174
Charges for services	60,000	64,676	4,676
Interest and rents	49,846	50,676	830
Other revenue	<u>9,165</u>	<u>11,034</u>	<u>1,869</u>
Total Revenues	<u>\$ 399,228</u>	<u>\$ 453,460</u>	<u>\$ 54,232</u>
Expenditures:			
Legislative	\$ 30,645	\$ 30,680	\$ (35)
General government	231,317	242,837	(11,520)
Public safety	8,740	6,377	2,363
Public works	6,500	4,772	1,728
Recreation and cultural	20,500	6,981	13,519
Other	35,492	27,992	7,500
Debt service	<u>41,373</u>	<u>41,576</u>	<u>(203)</u>
Total Expenditures	<u>\$ 374,567</u>	<u>\$ 361,215</u>	<u>\$ 13,352</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 24,661</u>	<u>\$ 92,245</u>	<u>\$ 67,584</u>
Other Financing Sources (Uses):			
Proceeds from sale of building	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 24,661</u>	<u>\$ 92,245</u>	<u>\$ 67,584</u>
Fund Balances, Beginning of Year	<u>878,794</u>	<u>878,794</u>	<u>-</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 903,455</u>	<u>\$ 971,039</u>	<u>\$ 67,584</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds		
<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ 484,800	\$ 488,702	\$ 3,902
36,400	34,875	(1,525)
-	-	-
3,600	4,900	1,300
4,410	3,205	(1,205)
-	400	400
<u>\$ 529,210</u>	<u>\$ 532,082</u>	<u>\$ 2,872</u>
\$ -	\$ -	\$ -
3,700	6,323	(2,623)
233,096	249,447	(16,351)
245,500	67,103	178,397
-	-	-
-	-	-
-	-	-
<u>\$ 482,296</u>	<u>\$ 322,873</u>	<u>\$ 159,423</u>
\$ 46,914	\$ 209,209	\$ 162,295
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
\$ 46,914	\$ 209,209	\$ 162,295
<u>785,589</u>	<u>785,589</u>	<u>-</u>
<u>\$ 832,503</u>	<u>\$ 994,798</u>	<u>\$ 162,295</u>

Improvement Fund		
<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
13,000	5,786	(7,214)
-	-	-
<u>\$ 13,000</u>	<u>\$ 5,786</u>	<u>\$ (7,214)</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,000	\$ 5,786	\$ (7,214)
\$ 8,400	\$ 8,400	\$ -
\$ 8,400	\$ 8,400	\$ -
\$ 21,400	\$ 14,186	\$ (7,214)
<u>(55,084)</u>	<u>(55,084)</u>	<u>-</u>
<u>\$ (33,684)</u>	<u>\$ (40,898)</u>	<u>\$ (7,214)</u>

WATERVLIET TOWNSHIP
Combined Statement of Revenues, Expenses, and
Changes in Retained Earnings - All Proprietary Fund Types
Year Ended March 31, 2004

	<u>Sewer Fund</u>
Operating Revenues:	
Charges for services	<u>\$ 330,959</u>
Operating Expenses:	
Plant interceptor operating expenses	\$ 162,931
Salaries and wages	46,622
Retirement	1,164
Payroll taxes	3,567
Supplies	4,502
Professional services	12,264
Insurance	14,725
Utilities	10,172
Contractual services	422
Depreciation	127,078
Transportation	1,508
Storage rental	1,250
Repairs and maintenance	12,330
Miscellaneous	4,595
Capital outlay	<u>4,438</u>
Total Operating Expenses	<u>\$ 407,568</u>
Operating Loss	<u>\$ (76,609)</u>
Nonoperating Revenues (Expenses):	
Interest revenue	<u>\$ 5,688</u>
Total Net Nonoperating Revenue	<u>\$ 5,688</u>
Net Loss	<u>\$ (70,921)</u>
Retained Earnings, Beginning of Year	<u>3,136,968</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 3,066,047</u>

WATERVLIET TOWNSHIP
Combined Statement of Cash Flows
All Proprietary Fund Types
Year Ended March 31, 2004

Cash Flows From Operating Activities:	
Net income (loss)	\$ (70,921)
Items not requiring the use of cash:	
Depreciation	<u>127,078</u>
Cash provided from operations	\$ 56,157
(Increase) decrease in:	
Accounts receivable	(2,836)
Due from other funds	26,548
Increase (decrease) in:	
Accounts payable	11,661
Accrued payroll liabilities	<u>277</u>
Net Cash Provided by Operating Activities	<u>\$ 91,807</u>
Cash Flows From Investing Activities:	
Purchase of assets	<u>\$ (8,386)</u>
Net Cash Used by Investing Activities	<u>\$ (8,386)</u>
Net Increase in Cash	\$ 83,421
Cash at the Beginning of the Year	<u>545,415</u>
CASH AT THE END OF THE YEAR	<u>\$ 628,836</u>

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by Watervliet Township, Michigan, conform to generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

A. Scope of Reporting Entity

In evaluating how to define the Township's reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township's reporting entity.

Coloma Watervliet Area Economic Development Corporation. This potential component unit is disclosed as a jointly governed organization because the Township has one representative on the regional council of government and does not have an ongoing financial interest in or a financial responsibility for the corporation. See Note 4 for further information on the jointly governed organization.

Watervliet Joint Cemetery, Watervliet Joint Fire Board, Watervliet Joint Airport, and Paw Paw Lake Joint Sewage Board. These potential component units are disclosed as joint ventures because the Township; (1) selects governing authority, (2) approves the budget, (3) is responsible for fund deficits, and (4) provides subsidies. See Note 5 for further information on the joint ventures.

B. Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into four generic fund types and three broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are derived primarily from property taxes, State and Federal distributions, grants, and other intergovernmental revenues. The General Fund accounts for the general operating expenditures of the Township not recorded elsewhere.

Special Revenue Funds - Special Revenue Funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Watervliet Township maintains the following Special Revenue Funds; Ambulance Fund, General Cemetery Fund, Cemetery Perpetual Care Fund, Road Maintenance Fund, Fire Millage Fund, Police Fund, and the Building Department Fund.

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Continued

GOVERNMENTAL FUNDS - Continued

Capital Project Fund - The Capital Projects Fund is used to account for all resources for acquisition of capital facilities and improvements. Watervliet Township currently maintains one Capital Project Fund.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

ACCOUNT GROUPS

General Fixed Assets - The General Fixed Asset Account Group is used to account for fixed assets used in a governmental fund type operation for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of the donation. No depreciation is recorded on general fixed assets.

General Long-Term Debt - The General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from governmental fund types.

FIDUCIARY FUNDS

Agency Funds - The Agency Funds are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and fiduciary funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available except for special assessment revenues, which are recognized when levied. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include most federal intergovernmental revenues (e.g. federal grants) and charges for services. Most state intergovernmental revenues (e.g. income taxes, sales taxes, Act 51 funds), licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

Proprietary funds are accounted for on the accrual basis of accounting.

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Budgetary Data

Prior to an annual meeting the Supervisor submits, to the Board of Trustees, a proposed operating budget for the fiscal year commencing April 1. The budget includes proposed expenditures and the means of financing them.

A public hearing is conducted before final adoption by the Board of Trustees.

The budget is formally accepted in summary form at the annual budget meeting.

The Supervisor and Clerk are authorized to transfer budgeted amounts between departments within a fund; however, any revisions that alter total expenditures of any fund must be approved by the Board of Trustees.

E. Assets, Liabilities, and Fund Equity

1. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) and in joint ventures which the Township is involved in are accounted for in the General Fixed Assets Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings are not capitalized along with other fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical costs if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The account group is not a "fund". The account group is concerned only with the measurement of financial position. The group is not involved with measurement of results of operations.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Vehicles and equipment	5-10 years
Sewer system and buildings	10-75 years

2. Deposits and Investments

Deposits, which include cash and certificates of deposit, are carried at cost. Deposits are at one bank in the name of Watervliet Township. Act 217, PA 1982, authorizes the Township to deposit and invest in the accounts of Federally insured banks, insured credit unions, savings and loan associations, and bonds and other direct obligations of the United States. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. The Township has complied with Attorney General's opinion 61-68.

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities, and Fund Equity – Continued

2. Deposits and Investments - Continued

At March 31, 2004, the Township has deposits with a local bank. The carrying amounts are \$2,474,649 with the bank balance being \$2,500,641. The portion of deposits covered by federal depository (FDIC) is shown below:

<u>Deposits</u>	<u>Amount</u>
Insured	\$ 100,000
Uninsured and uncollateralized	<u>2,400,641</u>
Total Deposits	<u>\$2,500,641</u>

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Accounts Receivable

All accounts were deemed by management to be collectible; therefore, no allowance for doubtful accounts has been established.

H. Revenues, Expenditures, and Expenses

Property Taxes

Township property taxes are levied on December 1, and are payable without penalty through February 28. The Township bills and collects its own property taxes and also taxes for the county and the school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Current Tax Agency Fund. Township property tax revenues are recognized as revenues in the calendar year following the levy date in accordance with NCGA Interpretation 3 (Revenue Recognition Property Taxes).

I. Risk Management

The Township carries commercial insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year.

J. Total Column on Combined Statements - Overview

Total column on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

K. Cash Flows Statement

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Assets and Liabilities

1. Changes in General Fixed Assets

	<u>Balance</u> <u>3/31/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3/31/04</u>
Land and land improvements	\$ 30,678	\$ 14,250	\$ -	\$ 44,928
Fire station land	18,549	-	-	18,549
Buildings and improvements	657,168	-	-	657,168
Fire station	512,663	-	-	512,663
Retaining wall and pier	75,563	2,100	-	77,663
Equipment	159,248	5,354	2,248	162,354
Public service building	125,244	8,900	-	134,144
	<u>\$ 1,579,113</u>	<u>\$ 30,604</u>	<u>\$ 2,248</u>	<u>\$ 1,607,469</u>

2. Summary of Proprietary Fund Fixed Assets

	<u>Enterprise</u>
Property, Plant, and Equipment	\$ 7,284,668
Less accumulated depreciation	<u>2,703,745</u>
Net Property, Plant, and Equipment	<u>\$ 4,580,923</u>

B. Individual Funds - Interfund Receivables and Payables

<u>Fund</u>	<u>Interfund</u> <u>Receivable</u>	<u>Fund</u>	<u>Interfund</u> <u>Payable</u>
General Fund	\$ <u>48,160</u>	Current Tax	\$ 7,262
		Improvement Fund	<u>40,898</u>
TOTAL	<u>\$ 48,160</u>	TOTAL	<u>\$ 48,160</u>

NOTE 3 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains only one Enterprise Fund which provides sanitation services. The information presented below is a breakdown of operations for the year ended March 31, 2004.

Operating revenues	\$ 330,959
Depreciation	127,078
Operating loss	(76,609)
Net nonoperating revenues	5,688
Net loss	(70,921)

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 4 - JOINTLY GOVERNED ORGANIZATIONS

Coloma Watervliet Area Economic Development Corporation

The Township and City of Watervliet, the Township and City of Coloma, and the Township of Bainbridge participate jointly in the operation of the Coloma Watervliet Area Economic Development Corporation. The Corporation is organized for the specific and primary purpose of furthering the common interests of the Greater Coloma Watervliet Area by promoting the retention and growth of commercial and industrial enterprises.

The funds required are allocated among the Participating Municipalities according to a formula approved by the board of directors. The formula contains a per capita, real property tax valuation to assure equality among the five Participating Municipalities.

Watervliet Township's appropriation to the Coloma Watervliet Area Economic Development Corporation for the fiscal year ended March 31, 2004 was \$23,492.

NOTE 5 - JOINT VENTURES

Watervliet Joint Cemetery

The Watervliet Joint Cemetery's purpose is to maintain and sell the lots of the city-township cemetery. The Watervliet Joint Cemetery's Board of Trustees is comprised of three trustees appointed by the City of Watervliet and three trustees appointed by Watervliet Township.

Any and all costs incidental to the maintenance and operation of the Watervliet Joint Cemetery, which are not covered by sales of lots, are shared equally by the City of Watervliet and Watervliet Township. Watervliet Township's contribution for the year ending March 31, 2004 totals \$5,000.

A copy of the March 31, 2002 audited financial statements is available for review at the Township Hall.

Watervliet Joint Fire Board

The Watervliet Joint Fire Board's purpose is to supervise, operate, maintain and provide fire service for the City of Watervliet and Watervliet Township. The Watervliet Joint Fire Board's Board of Trustees is comprised of three trustees appointed by the City of Watervliet and three trustees appointed by Watervliet Township.

Any and all costs incidental to the maintenance and operation of the Watervliet Joint Fire Board are shared by the City of Watervliet and Watervliet Township. Watervliet Township's contribution for the year ending March 31, 2004 totals \$85,000.

A copy of the March 31, 2002 audited financial statements is available for review at the Township Hall.

Watervliet Joint Airport

The Watervliet Joint Airport's purpose is to further public interest and aeronautical progress at the airport jointly owned by the City of Watervliet and the Township of Watervliet, and known as Watervliet Municipal Airport. The board consists of six members, three from each Local Unit.

The Township of Watervliet and the City of Watervliet contribute equal shares toward the maintenance and operation of the airport and aeronautical facilities, and revenues in excess of the expense of maintaining and operating the facility are to be equally divided between the two municipalities. Watervliet Township's contribution for the year ending March 31, 2004 totals \$4,500.

There are no audited financial statements available for review.

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 5 - JOINT VENTURES - Continued

Paw Paw Lake Joint Sewage Board

The Paw Paw Lake Joint Sewage Board's purpose is to control, manage, and operate the Paw Paw Lake Area Wastewater Plant. The board consists of eight appointed members; two from each Participating Municipality. The municipalities that participate in the sewage disposal contract include the Township of Watervliet, the City of Watervliet, the Township of Coloma, and the City of Coloma.

Watervliet Township is billed monthly by the Paw Paw Lake Area Wastewater Plant at a per gallon rate that is based upon the Board's operating expenses plus expenditures for properties for the fiscal year. Total costs to Watervliet Township for the year ended March 31, 2004 equaled \$162,931.

A copy of the most recent audited financial statements, for the fiscal year ending March 31, 2003, is available for review at the Township Hall.

NOTE 6 - FUND DEFICIT

The Township's Improvement Fund has a fund deficit. During the March 31, 2001 fiscal year, the Township completed construction on a new Township Hall located on M-140 in the Township. The Township has sold the old building on land contract. The proceeds from the sale of the building will reduce and eventually eliminate the deficit. The Township's Building Department Fund has a fund deficit. The ensuing year's activity is expected to bring the deficit back to a surplus.

NOTE 7 - FIRE CONSTRUCTION LOAN

In 2001 the Watervliet Joint Fire Board constructed an addition to the fire station. Since the Fire Board is a joint board, they were not allowed to take out a loan. The Township agreed to enter into a Municipal Purchase Contract to assist in the financing of the new addition. To enable the Township to enter into the Municipal Purchase Contract, the Fire Board and the City of Watervliet transferred title of the Fire Board real property to the Township by quitclaim deed. As payments on the contract become due, the Fire Board forwards the payments to the Township. The obligation to pay the loan has been included in the Township's General Long-Term Debt account group. When the contract is paid in full the Township will reconvey the property to the Fire Board by quitclaim deed. The Fire Station and land has been included in the Township's General Fixed Assets.

NOTE 8 - OPERATING LEASE

On August 8, 2002, Watervliet Township entered into a lease agreement with Medic 1 Ambulance. The lease commenced on February 1, 2003. Medic 1 Ambulance is leasing approximately 760 square feet of living area and one stall garage of approximately 793 square feet. The initial term of the lease is fifteen years. Medic 1 Ambulance will pay \$828 a month as rent the first five years of the lease, \$910 a month as rent for the second five years of the lease, and \$1,001 a month as rent for the third five years of the lease.

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 9 - LONG-TERM DEBT

The following is a summary of debt transactions of the Township for the year ended March 31, 2004:

	<u>Municipal Purchase Contract</u>
Payable at April 1, 2003	\$ 445,000
New Debt Issued	-
Debt Retired	<u>19,000</u>
Payable at March 31, 2004	<u>\$ 426,000</u>
Municipal Purchase Contracts payable at March 31, 2004 consist of the following:	
2000 Municipal Purchase Agreement due in annual installments of \$16,000 to \$36,000 though September 1, 2015 at a net interest cost rate of 5.67%	\$ 321,000
2002 Municipal Purchase Agreement due in annual installments of \$5,300 to \$10,000 through September 1, 2017 at a net interest cost rate of 3.87%	<u>105,000</u>
	<u>\$ 426,000</u>

The annual requirement to amortize all debt outstanding as of March 31, 2004 including interest of \$156,315 is as follows:

<u>Year Ending March 31,</u>	<u>Municipal Purchase Contracts</u>
2005	\$ 42,889
2006	44,070
2007	45,213
2008	46,120
2009	46,889
Future Years	<u>357,134</u>
Total	\$ 582,315
Less Interest	<u>156,315</u>
Totals	<u>\$ 426,000</u>

WATERVLIET TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 10 - NEW REPORTING STANDARD

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Township is required to implement this standard for the fiscal year March 31, 2005. The Township has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

INDEPENDENT ACCOUNTANT'S REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of Watervliet Township. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and, in our opinion, such information is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

Gerbel & Company, P.C.

St. Joseph, Michigan
May 14, 2004

Right. On time.

**WATERVLIT TOWNSHIP
GENERAL FUND
Statement of Revenue, Compared to Budget
For the Year Ended March 31, 2004
With Comparative Actual Amounts for the Year Ended March 31, 2003**

	2004		Variance -	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>	<u>2003</u>
			<u>(Unfavorable)</u>	<u>Actual</u>
Revenues:				
Taxes:				
Current tax collections	\$ 46,000	\$ 48,835	\$ 2,835	\$ 47,926
Delinquent taxes	-	1,922	1,922	2,032
Trailer fees	700	1,367	667	1,421
Total Taxes	<u>\$ 46,700</u>	<u>\$ 52,124</u>	<u>\$ 5,424</u>	<u>\$ 51,379</u>
Licenses and permits:				
Liquor license fees	\$ 2,300	\$ 2,278	\$ (22)	\$ 2,308
Other licenses and fees	13,070	14,351	1,281	14,062
Total Licenses and Permits	<u>\$ 15,370</u>	<u>\$ 16,629</u>	<u>\$ 1,259</u>	<u>\$ 16,370</u>
State Grants	<u>\$ 218,147</u>	<u>\$ 258,321</u>	<u>\$ 40,174</u>	<u>\$ 278,288</u>
Charges for services:				
Landfill impact fees	<u>\$ 60,000</u>	<u>\$ 64,676</u>	<u>\$ 4,676</u>	<u>\$ 54,076</u>
Interest	<u>\$ 7,517</u>	<u>\$ 7,320</u>	<u>\$ (197)</u>	<u>\$ 10,455</u>
Rents	<u>\$ 42,329</u>	<u>\$ 43,356</u>	<u>\$ 1,027</u>	<u>\$ 34,632</u>
Other revenue	<u>\$ 9,165</u>	<u>\$ 11,034</u>	<u>\$ 1,869</u>	<u>\$ 11,239</u>
TOTAL REVENUE	<u>\$ 399,228</u>	<u>\$ 453,460</u>	<u>\$ 54,232</u>	<u>\$ 456,439</u>

WATERVLIET TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2004
With Comparative Actual Amounts for the Year Ended March 31, 2003

	<u>2004</u>		<u>Variance -</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>	<u>2003</u>
			<u>(Unfavorable)</u>	<u>Actual</u>
Legislative:				
Township Board:				
Salaries	\$ 4,500	\$ 4,233	\$ 267	\$ 4,015
Payroll taxes	445	324	121	307
Contributions - Other:				
City cemetery	5,000	5,000	-	5,000
Airport	4,500	4,500	-	4,200
Airport insurance and bonds	2,000	1,168	832	1,869
Audit fees	6,000	5,198	802	4,950
Education and training	3,300	5,309	(2,009)	2,742
Data processing	4,900	4,948	(48)	2,987
Total Legislative	<u>\$ 30,645</u>	<u>\$ 30,680</u>	<u>\$ (35)</u>	<u>\$ 26,070</u>
General Government:				
Supervisor:				
Salaries	\$ 15,371	\$ 15,371	\$ -	\$ 15,070
Payroll taxes	1,176	1,176	-	1,153
Total Supervisor	<u>\$ 16,547</u>	<u>\$ 16,547</u>	<u>\$ -</u>	<u>\$ 16,223</u>
Assessor and Board of Review:				
Salaries and wages	\$ 29,110	\$ 28,665	\$ 445	\$ 22,075
Payroll taxes	353	342	11	266
Retirement	-	10	(10)	-
Legal fees	7,000	25,459	(18,459)	8,269
Total Assessor and Board of Review	<u>\$ 36,463</u>	<u>\$ 54,476</u>	<u>\$ (18,013)</u>	<u>\$ 30,610</u>
Clerk:				
Salaries and wages	\$ 13,313	\$ 13,313	\$ -	\$ 13,052
Payroll taxes	1,019	1,018	1	999
Total Clerk	<u>\$ 14,332</u>	<u>\$ 14,331</u>	<u>\$ 1</u>	<u>\$ 14,051</u>
Treasurer:				
Salaries and wages	\$ 14,513	\$ 14,513	\$ -	\$ 13,052
Payroll taxes	1,111	1,110	1	999
Total Treasurer	<u>\$ 15,624</u>	<u>\$ 15,623</u>	<u>\$ 1</u>	<u>\$ 14,051</u>

WATERVLIET TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2004
With Comparative Actual Amounts for the Year Ended March 31, 2003

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>Actual</u>
General Government, continued:				
Administrative and Office:				
Salaries and wages	\$ 40,488	\$ 53,697	\$ (13,209)	\$ 29,837
Payroll taxes	3,173	4,137	(964)	2,283
Retirement	1,000	1,035	(35)	-
Office supplies	8,900	9,260	(360)	6,490
Professional services	11,000	3,791	7,209	23,704
Transportation	1,500	2,493	(993)	1,978
Utilities	15,000	8,493	6,507	10,841
Printing and publishing	2,700	2,526	174	2,839
Insurance and bonds	15,000	14,480	520	12,130
Repairs and maintenance	21,500	23,652	(2,152)	7,106
Contract services	7,000	3,720	3,280	155
Consultant fees	1,500	170	1,330	-
Storage rental	1,200	1,200	-	2,400
Equipment	2,000	4,938	(2,938)	1,209
Contingency	10,000	3,566	6,434	-
Miscellaneous	3,580	3,804	(224)	7,431
Total Administrative and Office	<u>\$ 145,541</u>	<u>\$ 140,962</u>	<u>\$ 4,579</u>	<u>\$ 108,403</u>
Elections:				
Salaries - temporary employees	\$ -	\$ 655	\$ (655)	\$ 2,197
Transportation	-	124	(124)	252
Office supplies	300	119	181	432
Professional fees	500	-	500	460
Printing and publishing	-	-	-	460
Repairs and maintenance - supplies	500	-	500	139
Equipment	1,000	-	1,000	-
Miscellaneous	510	-	510	1,197
Total Elections	<u>\$ 2,810</u>	<u>\$ 898</u>	<u>\$ 1,912</u>	<u>\$ 5,137</u>
Total General Government	<u>\$ 231,317</u>	<u>\$ 242,837</u>	<u>\$ (11,520)</u>	<u>\$ 188,475</u>

WATERVLIET TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2004
With Comparative Actual Amounts for the Year Ended March 31, 2003

	2004			
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>2003 Actual</u>
Public Safety:				
Payroll taxes	\$ 290	\$ 216	\$ 74	\$ 138
Retirement	-	2	(2)	-
Planning commission	2,000	1,750	250	1,165
Crossing guard policing	5,000	3,330	1,670	7,418
Board of Appeals	1,000	880	120	405
Liquor inspector	400	199	201	238
Supplies	50	-	50	-
Total Public Safety	\$ 8,740	\$ 6,377	\$ 2,363	\$ 9,364
Public Works:				
Highways and Streets:				
Tree removal	\$ 1,000	\$ 1,050	\$ (50)	\$ 500
Street lights	3,000	2,526	474	2,561
Drains at large	2,500	1,196	1,304	1,694
Total Public Works	\$ 6,500	\$ 4,772	\$ 1,728	\$ 4,755
Recreation and Cultural:				
Parks and Recreation:				
Repair and maintenance	\$ 14,000	\$ 843	\$ 13,157	\$ 12,009
Aid to other government	2,500	2,500	-	2,500
Professional services	4,000	3,638	362	3,515
Total Recreation and Cultural	\$ 20,500	\$ 6,981	\$ 13,519	\$ 18,024
Debt:				
Principal on loan	\$ 19,000	\$ 19,000	\$ -	\$ 13,000
Interest on loan	22,373	22,576	(203)	21,352
Total Debt	\$ 41,373	\$ 41,576	\$ (203)	\$ 34,352
Capital Outlay	\$ -	\$ -	\$ -	\$ 11,717
Other	\$ 35,492	\$ 27,992	\$ 7,500	\$ 34,115
TOTAL EXPENDITURES	\$ 374,567	\$ 361,215	\$ 13,352	\$ 326,872

**WATERVLIET TOWNSHIP
SPECIAL REVENUE FUNDS
Combining Balance Sheet
March 31, 2004**

	<u>Ambulance Fund</u>	<u>General Cemetery Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Road Maintenance Fund</u>
ASSETS				
Cash in bank	\$ 69,254	\$ 11,744	\$ 52,092	\$ 555,140
Delinquent tax receivable	1,721	-	-	21,437
Due from other governments	-	-	-	44,650
TOTAL ASSETS	<u>\$ 70,975</u>	<u>\$ 11,744</u>	<u>\$ 52,092</u>	<u>\$ 621,227</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Payroll liabilities	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:				
Reserved	\$ -	\$ -	\$ 52,092	\$ -
Unreserved	<u>70,975</u>	<u>11,744</u>	<u>-</u>	<u>621,227</u>
Total Fund Balances	<u>\$ 70,975</u>	<u>\$ 11,744</u>	<u>\$ 52,092</u>	<u>\$ 621,227</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 70,975</u>	<u>\$ 11,744</u>	<u>\$ 52,092</u>	<u>\$ 621,227</u>

<u>Fire Millage Fund</u>	<u>Police Fund</u>	<u>Building Department Fund</u>	<u>Total</u>
\$ 60,756	\$ 165,501	\$ 1,620	\$ 916,107
5,196	8,435	-	36,789
<u>-</u>	<u>-</u>	<u>-</u>	<u>44,650</u>
<u>\$ 65,952</u>	<u>\$ 173,936</u>	<u>\$ 1,620</u>	<u>\$ 997,546</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,748</u>	<u>\$ 2,748</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,748</u>	<u>\$ 2,748</u>
\$ -	\$ -	\$ -	\$ 52,092
<u>65,952</u>	<u>173,936</u>	<u>(1,128)</u>	<u>942,706</u>
<u>\$ 65,952</u>	<u>\$ 173,936</u>	<u>\$ (1,128)</u>	<u>\$ 994,798</u>
<u>\$ 65,952</u>	<u>\$ 173,936</u>	<u>\$ 1,620</u>	<u>\$ 997,546</u>

WATERVLIET TOWNSHIP
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended March 31, 2004

	<u>Ambulance Fund</u>	<u>Cemetery General Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Road Maintenance Fund</u>
Revenues:				
Taxes	\$ 28,616	\$ -	\$ -	\$ 252,058
Charges for services	-	2,475	2,425	-
Interest and rents	204	2,402	222	301
Licenses and permits:				
Building permits	-	-	-	-
Electrical permits	-	-	-	-
Plumbing permits	-	-	-	-
Mechanical permits	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	<u>\$ 28,820</u>	<u>\$ 4,877</u>	<u>\$ 2,647</u>	<u>\$ 252,359</u>
Expenditures:				
General Government:				
Maintenance	\$ -	\$ 2,933	\$ -	\$ -
Professional services	-	2,953	-	-
Utilities	-	437	-	-
Total General Government	<u>\$ -</u>	<u>\$ 6,323</u>	<u>\$ -</u>	<u>\$ -</u>
Public Safety:				
Ambulance service	\$ 22,729	\$ -	\$ -	\$ -
Salaries	-	-	-	-
Fire board	-	-	-	-
Building inspector	-	-	-	-
Payroll taxes	-	-	-	-
Retirement	-	-	-	-
Electrical inspector	-	-	-	-
Plumbing inspector	-	-	-	-
Mechanical inspector	-	-	-	-
Plan review	-	-	-	-
Office supplies	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Public utilities	-	-	-	-
Police protection	-	-	-	-
Miscellaneous	-	-	-	-
Total Public Safety	<u>\$ 22,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Public Works:				
Professional services	\$ -	\$ -	\$ -	\$ 56,512
Road repair and maintenance	-	-	-	10,591
Total Public Works	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,103</u>
Total Expenditures	<u>\$ 22,729</u>	<u>\$ 6,323</u>	<u>\$ -</u>	<u>\$ 67,103</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 6,091	\$ (1,446)	\$ 2,647	\$ 185,256
Fund Balance, Beginning of Year	<u>64,884</u>	<u>13,190</u>	<u>49,445</u>	<u>435,971</u>
FUND BALANCE, END OF YEAR	<u>\$ 70,975</u>	<u>\$ 11,744</u>	<u>\$ 52,092</u>	<u>\$ 621,227</u>

See independent accountant's report on supplementary financial information.

<u>Fire Millage Fund</u>	<u>Police Fund</u>	<u>Building Department Fund</u>	<u>Total</u>
\$ 83,863	\$ 124,165	\$ -	\$ 488,702
-	-	-	4,900
76	-	-	3,205
-	-	23,366	23,366
-	-	6,064	6,064
-	-	2,445	2,445
-	-	3,000	3,000
-	-	400	400
<u>\$ 83,939</u>	<u>\$ 124,165</u>	<u>\$ 35,275</u>	<u>\$ 532,082</u>
\$ -	\$ -	\$ -	\$ 2,933
-	-	-	2,953
-	-	-	437
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,323</u>
\$ -	\$ -	\$ -	\$ 22,729
-	-	15,051	15,051
85,000	-	-	85,000
-	-	19,977	19,977
-	-	2,455	2,455
-	-	440	440
-	-	5,154	5,154
-	-	2,079	2,079
-	-	3,020	3,020
-	-	523	523
-	-	691	691
-	-	676	676
-	-	73	73
-	-	1,127	1,127
-	90,096	-	90,096
-	-	356	356
<u>\$ 85,000</u>	<u>\$ 90,096</u>	<u>\$ 51,622</u>	<u>\$ 249,447</u>
\$ -	\$ -	\$ -	\$ 56,512
-	-	-	10,591
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,103</u>
<u>\$ 85,000</u>	<u>\$ 90,096</u>	<u>\$ 51,622</u>	<u>\$ 322,873</u>
\$ (1,061)	\$ 34,069	\$ (16,347)	\$ 209,209
<u>67,013</u>	<u>139,867</u>	<u>15,219</u>	<u>785,589</u>
<u>\$ 65,952</u>	<u>\$ 173,936</u>	<u>\$ (1,128)</u>	<u>\$ 994,798</u>

**WATERVLIET TOWNSHIP
AGENCY FUNDS
Combining Balance Sheet
March 31, 2004**

	Tax Collection Fund	Trust and Agency Fund	Total
ASSETS			
Cash in bank	\$ 5,498	\$ -	\$ 5,498
Cash on hand	400	-	400
Due from other units	<u>1,364</u>	<u>-</u>	<u>1,364</u>
TOTAL ASSETS	<u><u>\$ 7,262</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,262</u></u>
LIABILITIES			
Due to other funds	\$ 7,262	\$ -	\$ 7,262
Due to other governmental units	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>\$ 7,262</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,262</u></u>

WATERVLIET TOWNSHIP
Statement of Cash Receipts and Disbursements - Trust and Agency Fund
For the Year Ended March 31, 2004

Receipts:

Trailer fees	\$ 8,202
Delinquent taxes	<u>46,380</u>
 Total Receipts	 <u>\$ 54,582</u>

Disbursements:

Other funds	\$ 48,202
Other governments	<u>9,107</u>
 Total Disbursements	 <u>\$ 57,309</u>

Excess (Deficiency) of Receipts Over (Under) Disbursements	 \$ (2,727)
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Cash at beginning of year	<u>2,727</u>
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CASH AT END OF YEAR	<u>\$ -</u>
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WATERVLIET TOWNSHIP
Statement of Cash Receipts and Disbursements - Tax Collection Fund
For the Year Ended March 31, 2004

Receipts:

Current property tax collections	\$ 2,102,169	
Interest	<u>1,283</u>	
Total Receipts		\$ 2,103,452

Disbursements:

Public schools	\$ 849,365	
Berrien County	866,505	
Other funds	12,371	
Berrien County I.S.D.	190,058	
Lake Michigan College	144,470	
Watervliet District Library	38,537	
Other	<u>2,351</u>	
Total Disbursements		<u>2,103,657</u>
Receipts Over (Under) Disbursements		\$ (205)

Cash at beginning of year	<u>6,103</u>
CASH AT END OF YEAR	<u>\$ 5,898</u>

WATERVLIT TOWNSHIP
Schedule of Indebtedness - Fire Construction Loan
For the Year Ended March 31, 2004

Watervliet Township entered into a Municipal Purchase Contract to finance an addition to the Fire Station in the amount of \$360,000 on September 8, 2000. Schedule of indebtedness is as follows:

<u>Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Date of Payment</u>	<u>Annual Principal Requirement</u>	<u>Interest Payable</u>
9/8/00	\$ 360,000	5.67%	9/1/04	\$ 16,000	\$ 9,100
			3/1/05	-	8,647
			9/1/05	18,000	8,647
			3/1/06	-	8,136
			9/1/06	20,000	8,136
			3/1/07	-	7,569
			9/1/07	22,000	7,569
			3/1/08	-	6,946
			9/1/08	24,000	6,946
			3/1/09	-	6,265
			9/1/09	26,000	6,265
			3/1/10	-	5,528
			9/1/10	28,000	5,528
			3/1/11	-	4,734
			9/1/11	30,000	4,734
			3/1/12	-	3,884
			9/1/12	32,000	3,884
			3/1/13	-	2,977
			9/1/13	34,000	2,977
			3/1/14	-	2,013
			9/1/14	35,000	2,013
			3/1/15	-	1,021
			9/1/15	36,000	1,021
				<u>\$ 321,000</u>	<u>\$ 124,540</u>

WATERVLIET TOWNSHIP
Schedule of Indebtedness - Public Service Building Loan
For the Year Ended March 31, 2004

Wartervliet Township entered into an Installment Purchase Agreement to finance construction of a Public Service Building in the amount of \$110,000 on September 4, 2002. Schedule of indebtedness is as follows:

<u>Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Date of Payment</u>	<u>Annual Principal Requirement</u>	<u>Interest Payable</u>
9/4/02	\$ 110,000	3.87%	9/1/2004	\$ 5,300	\$ 1,957
			3/1/2005	-	1,885
			9/1/2005	5,600	1,885
			3/1/2006	-	1,802
			9/1/2006	6,000	1,802
			3/1/2007	-	1,706
			9/1/2007	6,300	1,706
			3/1/2008	-	1,599
			9/1/2008	6,600	1,599
			3/1/2009	-	1,479
			9/1/2009	7,000	1,479
			3/1/2010	-	1,349
			9/1/2010	7,300	1,349
			3/1/2011		1,211
			9/1/2011	7,600	1,211
			3/1/2012	-	1,064
			9/1/2012	8,000	1,064
			3/1/2013	-	906
			9/1/2013	8,300	906
			3/1/2014	-	743
			9/1/2014	8,600	743
			3/1/2015	-	571
			9/1/2015	9,000	571
			3/1/2016	-	391
			9/1/2016	9,400	391
			3/1/2017	-	203
			9/1/2017	10,000	203
				<u>\$ 105,000</u>	<u>\$ 31,775</u>

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

May 14, 2004

Township Board
Watervliet Township
Watervliet, Michigan

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the general-purpose financial statements of Watervliet Township as of and for the year ended March 31, 2004, and have issued our report thereon dated May 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Watervliet Township's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Watervliet Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gerbel & Company, P.C.

Right. On time.